

FDIC State Profile

Summer 2005

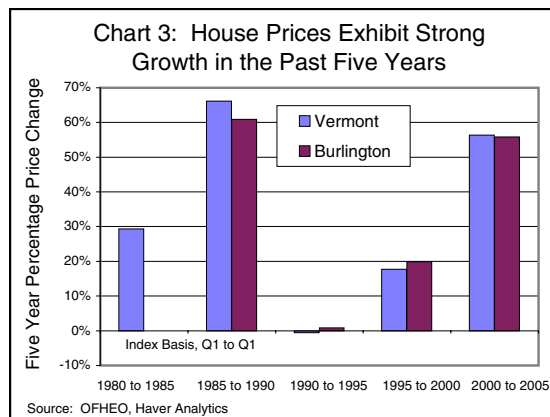
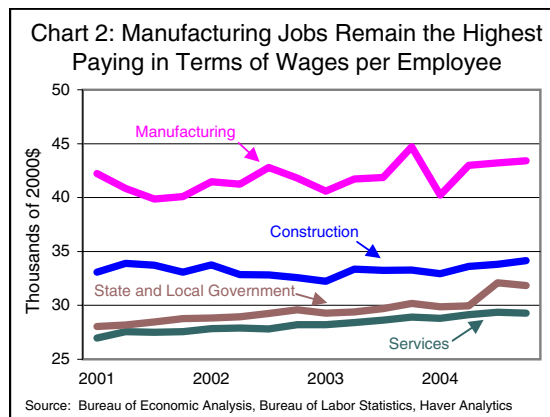
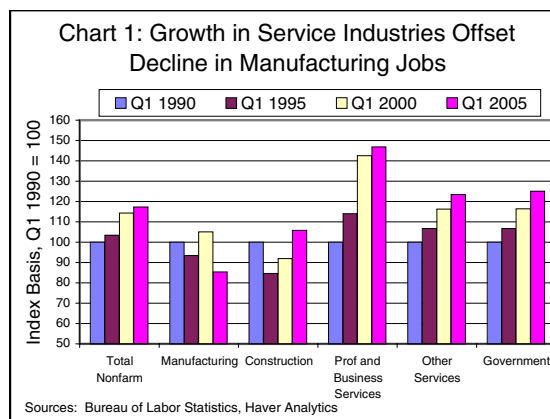
Vermont

Employment is little changed this year but has performed well over the past 15 years.

- Through first quarter 2005, manufacturing and construction employment had small increases, while employment in services edged slightly lower. On a longer term basis, Vermont has added jobs quite well. Employment during the first quarter was higher than five years earlier despite the 2001 recession, and was 17 percent above early 1990 (See Chart 1).
- Throughout New England, as in most of the country, the manufacturing sector continues to shrink over time in terms of employment. In Vermont, the size of this sector as of the first quarter had diminished by one-seventh from 1990, representing a loss of 6,400 jobs. This decline, while steep in comparison with other sectors, was the smallest in New England.
- Growth in service jobs has been very good. Professional and business services grew significantly in both the first and, especially, the second half of the 1990s. Despite the recession of 2001, further growth occurred over the first half of this decade—a feat shared only with Rhode Island within New England. Overall, the sector's nearly 50 percent increase in employment has been very impressive. Employment growth in other services has been about one-half as rapid, but still very acceptable.

Vermont residents have personal income per capita modestly below the nation.

- Personal income per capita in Vermont is close to the national average; as of 2004, it ranked 19th highest of the states. In recent years, growth in Vermont's income per capita has been quite good. In 2004, per capita income in Vermont rose by 5.9 percent—the highest rate in New England and 5th highest in the country.
- The 2001 recession resulted in reduced real wages and salaries for Vermont's manufacturing and construction workers (See Chart 2). Over the past two years, real wages and salaries have risen somewhat in each major sector as the economy strengthened.



State Profile

House price appreciation remains significant within the Vermont economy.

- During the past five years, house prices have risen an impressive 52 percent. However, the cyclical nature of the housing market is clearly shown in the changing price performance over the past 25 years (See Chart 3). The recent robust rate of price appreciation may be challenged by rising mortgage rates in the future. Vermont has one official metropolitan area, which includes **Burlington** and **South Burlington**.
- Price appreciation in Burlington's housing market has kept pace with the rest of northern New England in spite of its relative isolation to other major markets (See Map 1). The rate of appreciation in first quarter 2005 when compared with prices a year earlier was 15.3 percent in Burlington. While very rapid, this was below the 17.8 percent peak rate posted six months earlier (Q3 2003 to Q3 2004) suggesting, at least for now, some moderation in the rate of appreciation.
- Vermont's house price appreciation is also driven by second home purchases. The three northern New England states (Vermont, New Hampshire and Maine) have the highest percentage of second home ownership in the entire country.

Vermont's insured institutions report lower residential loan delinquencies than other lenders.

- Loan quality overall has improved since the New England economy began to recover late in 1992 and into 1993. Delinquent residential (1-4 family) loans in Vermont's insured institutions remain near historic lows and were about 1.5 percent as of first quarter 2005 (See Chart 4).
- Residential loans issued by the Department of Veterans Affairs (VA) and the Federal Housing Administration (FHA) nationally have not exhibited the improvement in loan quality that Vermont's insured institutions have shown. VA loans remain near past-due levels reported in early 1991, while FHA past-due loans have increased over the years. The relatively new subprime loans also have delinquencies well above bank portfolios.

Earnings increase as net interest margins improve.

- Vermont's community institutions¹ experienced an 8-basis point increase in net earnings during first quarter 2005, compared to the same period in 2004 (See Table 1). The boost to earnings was directly affected by the increase in short-term interest rates that began late in 2004, which improved asset yields. But as the rate increases take hold,

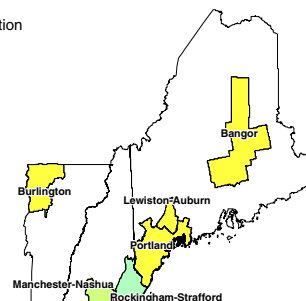
funding costs will likely rise also, which may temper the improvement in net interest margins.

- Gains on the sale of securities, which boosted earnings throughout 2004, declined in first quarter 2005 compared to the year earlier period.

Map 1: Vermont's Metro Area House Prices Grew at Double Digit Rate, Year-Over-Year

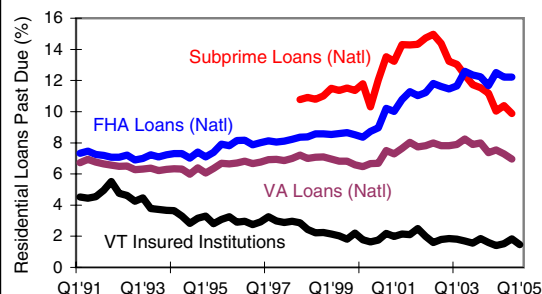
House Price Appreciation
Q1 2004 to Q1 2005

- 14% to 16%
- 12% to 14%
- 10% to 12%



Source: OFHEO

Chart 4: Insured Institutions Report Lower Residential Real Estate Loan Delinquencies



Note: National data seasonally adjusted
Sources: FDIC, Mortgage Bankers Association, Haver Analytics

Table 1: Earnings Boosted as Margins Improve on Higher Asset Yields

Percentage of Average Assets	First Quarter		Basis Point Change
	2004	2005	
Net Interest Income	3.85	4.02	0.17
Noninterest Income	0.79	0.77	-0.02
Noninterest Expense	3.40	3.44	0.04
Provision Expense	0.12	0.10	-0.02
Security Gains & Losses	0.11	0.06	-0.05
Income Taxes	0.34	0.34	0.00
Net Income (ROA)	0.89	0.97	0.08
Net Interest Margin (NIM)	4.19	4.37	0.18

Note: Aggregate data for institutions with assets <\$1 billion. Excludes specialty institutions and de novos.
Source: FDIC

¹Insured institutions with assets of less than \$1 billion, excluding institutions less than three years old and specialty institutions.

Vermont at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.8%	0.8%	-0.7%	-0.9%	1.9%
Manufacturing (12%)	1.5%	-3.9%	-9.4%	-10.3%	2.3%
Other (non-manufacturing) Goods-Producing (6%)	6.6%	9.4%	-3.3%	0.0%	3.5%
Private Service-Producing (65%)	1.5%	1.2%	0.7%	0.5%	1.9%
Government (17%)	1.7%	0.8%	2.0%	2.1%	0.9%
Unemployment Rate (% of labor force)	3.5	4.1	4.7	3.8	2.9

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Personal Income	N/A	5.0%	2.9%	3.5%	6.8%
Single-Family Home Permits	-20.4%	14.1%	13.1%	3.2%	-1.2%
Multifamily Building Permits	-56.4%	415.6%	-86.7%	447.7%	4.8%
Existing Home Sales	N/A	-2.7%	9.6%	20.4%	-10.3%
Home Price Index	14.8%	10.9%	5.9%	7.9%	7.5%
Bankruptcy Filings per 1000 people (quarterly level)	0.70	0.76	0.77	0.71	0.72

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Institutions (#)	19	19	20	20	23
Total Assets (in millions)	7,852	7,416	7,120	6,809	8,548
New Institutions (# < 3 years)	0	0	0	0	0
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.23	1.57	2.32	2.27	2.46
ALLL/Total Loans (median %)	1.18	1.23	1.27	1.30	1.31
ALLL/Noncurrent Loans (median multiple)	2.90	1.57	1.67	1.31	1.69
Net Loan Losses / Total Loans (median %)	0.12	0.12	0.15	0.14	0.15

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Tier 1 Leverage (median %)	8.97	8.79	9.16	9.46	8.85
Return on Assets (median %)	1.05	1.02	0.93	1.05	1.07
Pretax Return on Assets (median %)	1.40	1.39	1.37	1.44	1.44
Net Interest Margin (median %)	4.66	4.68	4.64	4.69	4.65
Yield on Earning Assets (median %)	7.02	7.00	7.10	7.33	7.65
Cost of Funding Earning Assets (median %)	2.14	2.09	2.29	2.46	3.18
Provisions to Avg. Assets (median %)	0.12	0.12	0.15	0.13	0.13
Noninterest Income to Avg. Assets (median %)	0.65	0.67	0.70	0.64	0.67
Overhead to Avg. Assets (median %)	3.60	3.60	3.53	3.52	3.41

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Loans to Assets (median %)	68.6	66.7	70.9	71.0	71.8
Noncore Funding to Assets (median %)	14.1	12.2	11.7	11.1	11.8
Long-term Assets to Assets (median %, call filers)	21.8	23.5	23.3	28.5	25.1
Brokered Deposits (number of institutions)	5	4	1	0	0
Brokered Deposits to Assets (median % for those above)	0.6	0.1	1.1	0.0	0.0

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-02
Commercial and Industrial	78.9	68.2	68.8	65.5	70.7
Commercial Real Estate	240.7	224.6	234.5	213.1	217.3
Construction & Development	23.2	20.9	24.9	21.1	16.0
Multifamily Residential Real Estate	13.1	14.9	10.9	13.2	9.7
Nonresidential Real Estate	177.2	182.9	165.5	149.1	166.4
Residential Real Estate	321.5	336.8	352.9	376.9	357.0
Consumer	39.5	40.3	43.0	49.8	59.1
Agriculture	6.6	4.8	4.9	5.9	2.6

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Burlington-South Burlington, VT	9	3,128	< \$250 million	11 (57.9%)
			\$250 million to \$1 billion	6 (31.6%)
			\$1 billion to \$10 billion	2 (10.5%)
			> \$10 billion	0 (0%)